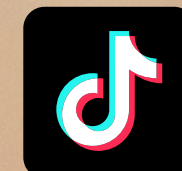


1.7 Expanding a business Flash Cards



A close-up photograph of a person's hand holding a small mound of dark, rich soil. A tiny green seedling with two leaves is growing out of the center of the soil. The background is a soft-focus outdoor scene with a bright light source, possibly the sun, creating a warm, golden glow and some lens flare effects. The overall mood is one of care, growth, and nature.

Organic growth

A group of business professionals in a modern office setting. A woman in a blue dress is on the left, looking towards a man in a grey suit who is speaking. In the background, another man in a suit is looking at a laptop. On the right, a woman in a white shirt is gesturing with her hand while talking to a man with a beard. The scene is lit with warm, ambient lighting.

Organic growth

This is where a business grows naturally, normally due to increased demand, it is classed as internal growth. This can be through franchising, opening new stores, e-commerce and outsourcing.

Advantage – Less risk as the business keeps full control.

Disadvantage – It can take a long time and competitors may gain customers through quicker growth methods.

Franchising

Franchising

This is where a large business lets another individual or smaller business use their name for a fee. It is classed as organic growth.

Advantages – A quick growth method and the risk is passed to the franchisee. This is therefore a low risk method.

Disadvantage– The business may lose its consistency as it is difficult to manage.

A close-up photograph of a hand moving a light-colored chess piece on a checkered board. The hand is positioned at the top right, with the thumb and index finger gripping the piece. The piece is being lifted from its current position. In the background, several other chess pieces are visible on the board, including a dark knight, a dark pawn, and a light pawn. The lighting is warm and focused on the hand and the piece being moved.

Takeover

A close-up photograph of a hand moving a wooden chess piece on a checkered board. The hand is positioned at the top right, with fingers gripping the piece. The board is in the foreground, and other chess pieces are visible in the background, some in focus and some blurred. The lighting is warm and focused on the hand and the piece being moved.

Takeover

This is where a business purchases another business.

This is classed as external growth.

Advantage – Instant growth.

Disadvantage – Normally requires restructuring hence job losses and therefore bad publicity.



Merger

Merger

This growth method is where two or more businesses join together. This is classed as external growth.

Advantage – Instant growth

Disadvantage – You have to mutually agree how the business will be run and restructuring will normally cause job losses.

Outsourcing

Mrs SCOTT
Revision with Mrs S

Outsourcing

This is where a business hires another business or individual to perform a task or service for them. It is used as an internal organic growth method as it helps to increase capacity or ensures the business can focus on its main aims.

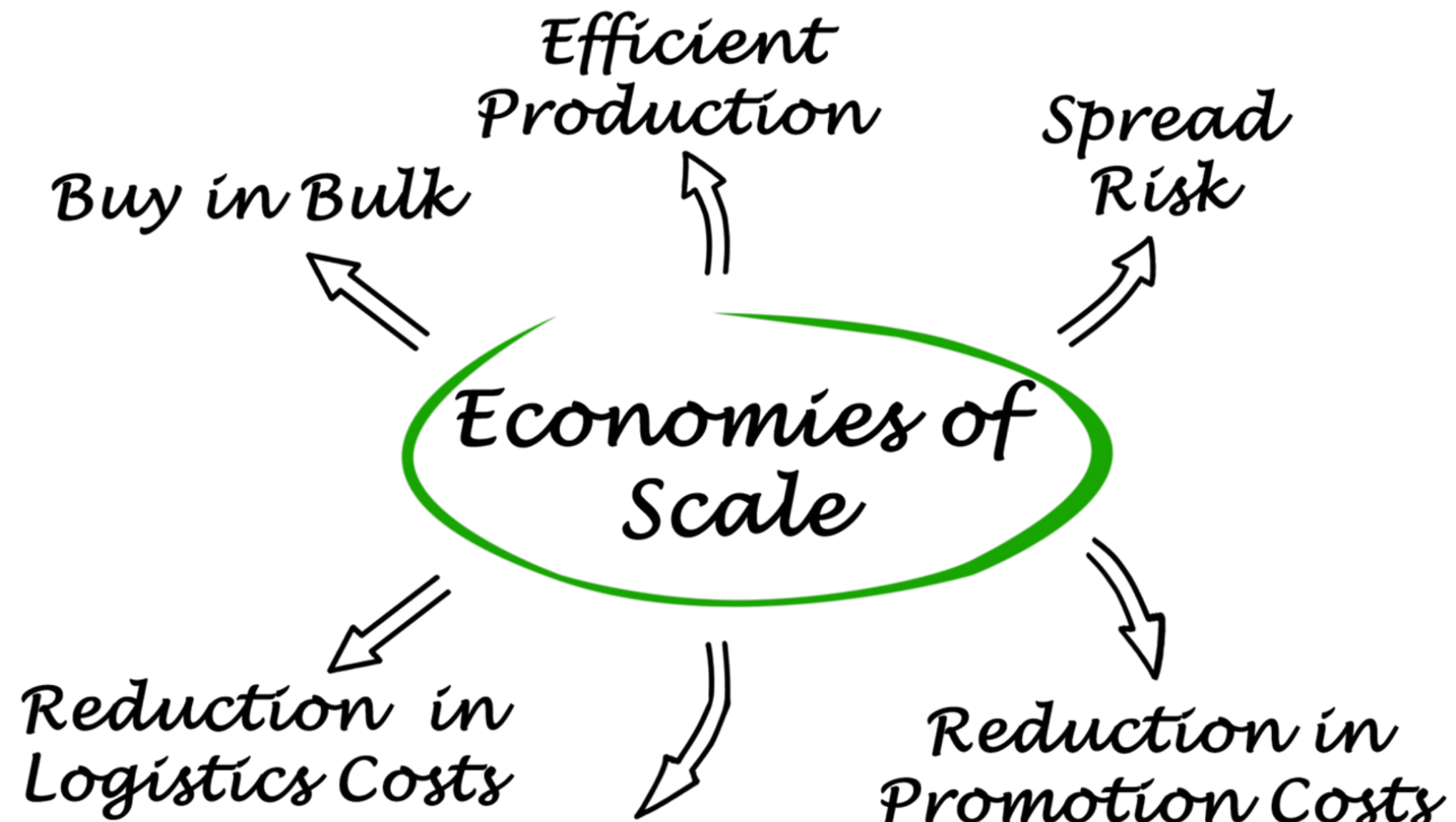
Advantages - It enables the business to focus on its main aims. They can gain a specialist in the area they require. It helps to increase capacity.

Disadvantages - loss of control, may risk quality issues and it can be expensive.

A yellow forklift is shown in a large warehouse, carrying a pallet of large white plastic jugs. The warehouse has high ceilings with industrial lighting and metal structures. In the background, there are tall metal shelving units filled with cardboard boxes. The scene is brightly lit, and the overall atmosphere is industrial and organized.

Economies of Scale

Economies of Scale



This is where a business can take advantage of reduced costs per unit because they can purchase and produce in bulk.



Purchasing economies of scale

Purchasing economies of scale

This directly relates to larger businesses having more buying power and therefore reducing their costs per unit.



Technological economies of scale

Technological economies of scale

This is where larger businesses have the money to invest in the latest technology, so they are able to operate more efficiently.

A yellow forklift is shown in a warehouse, carrying a pallet of four white Intermediate Bulk Containers (IBCs). The warehouse has high ceilings with exposed steel beams and industrial lighting. In the background, there are tall metal shelving units filled with cardboard boxes. The overall scene is brightly lit, with a cool blueish-white color palette.

Diseconomies of scale

Diseconomies of scale

This is where a business gets so large that difficulties are more likely to occur, such as reduced communication, due to the many layers. Demotivated staff, due to loss of personal touch and decisions taking along time, due to hierarchy. Therefore the costs per unit increase.

Diseconomies of scale is a risk of growth.